

Securities Regulation Daily Wrap Up, MUNICIPAL SECURITIES NEWS— Hatch denies scant Puerto Rico omnibus text a nod to hedge funds, (Dec. 18, 2015)

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By Mark S. Nelson, J.D.

Senator Orrin G. Hatch (R-Utah), chairman of the Senate Finance Committee, took to the floor shortly after the chamber passed the omnibus appropriations bill to denounce what he called “false claims” that Republicans had torpedoed omnibus text on a Puerto Rico aid package in an effort to help hedge funds holding a sizeable portion of the island’s troubled debt. According to the senator, proposed bankruptcy law changes would go beyond giving Puerto Rico parity with U.S. states, a development he said may spur states and creditors to ask for similar treatment.

In a lengthy speech, Sen. Hatch variously called the charges that Republicans are loath to help Puerto Rico “total bull” and a “bunch of baloney.” Still, the senator said he intended to get Puerto Rico legislation done, noting that he had introduced his own bill to help Puerto Rico restore its fiscal stability. The senator also said Puerto Rico should provide audited financials to help speed legislation.

During the run-up to passage of the omnibus, a number of lawmakers expressed worries about the exclusion of Puerto Rico debt language from the funding package. Resident Commissioner Pedro Pierluisi noted key health care gains for Puerto Rico in the omnibus, but said more needs to be done about the island’s debt problems. House Democratic Whip Steny H. Hoyer (D-Md) said Speaker Paul Ryan (R-Wis) has committed to a series of next steps to deal with efforts to restructure Puerto Rico’s debt beginning in early 2016.

Treasury Secretary Jacob J. Lew recently reiterated the Administration’s commitment to aiding legislative efforts to find a workable solution. But following passage of the omnibus, Lew said Congress had missed a chance to help fix Puerto Rico’s fiscal mess. Two months ago, Administration officials announced a roadmap for dealing with Puerto Rico’s debt.

Existing House and Senate bills would focus on either offering wider financial and technical assistance to Puerto Rico, or would bring the island within Chapter 9 of the Bankruptcy Code. Senator Hatch’s bill, the Puerto Rico Assistance Act of 2015 (S. 2381) would give a new entity called the Puerto Rico Financial Responsibility and Management Assistance Authority a wide mandate to achieve a variety of fiscal goals while preserving the ability to issue bonds. Legislation introduced by Rep. Sean P. Duffy (R-Wis) offers a different mix of authorities (H.R. 4199).

Other bills in the House and Senate would allow Puerto Rico to reorganize some of its debts under U.S. bankruptcy laws (H.R. 870; S. 1774). The Supreme Court recently agreed to hear a case involving Puerto Rico’s alternative bankruptcy plan.

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